

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	145.38	1.75	1.94	149.07	1.75	3.94	151.07	151.07
Personal Services	6,146,865	967,134	153,443	7,267,442	960,885	10,210	7,117,960	14,385,402
Operating Expenses	7,423,915	1,111,715	1,852,147	10,387,777	1,248,498	(206,494)	8,465,919	18,853,696
Equipment	462,735	(414,000)	8,492	57,227	(414,000)	0	48,735	105,962
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	23,313	0	0	23,313	0	0	23,313	46,626
Grants	0	0	0	0	0	0	0	0
Transfers	933,055	0	(433,055)	500,000	0	(433,055)	500,000	1,000,000
Debt Service	1,177,627	0	0	1,177,627	(1,145,577)	0	32,050	1,209,677
Total Costs	\$16,167,510	\$1,664,849	\$1,581,027	\$19,413,386	\$649,806	(\$629,339)	\$16,187,977	\$35,601,363
General Fund	4,195,717	439,722	(1,163,661)	3,471,778	486,272	(1,133,699)	3,548,290	7,020,068
State/Other Special	2,673,474	638,473	601,163	3,913,110	665,357	733,623	4,072,454	7,985,564
Federal Special	503,119	29,932	2,380,665	2,913,716	28,944	134,845	666,908	3,580,624
Capital Projects	933,055	11,542	(433,055)	511,542	18,369	(433,055)	518,369	1,029,911
Proprietary	7,862,145	545,180	195,915	8,603,240	(549,136)	68,947	7,381,956	15,985,196
Total Funds	\$16,167,510	\$1,664,849	\$1,581,027	\$19,413,386	\$649,806	(\$629,339)	\$16,187,977	\$35,601,363

Agency Description

The Department of Administration provides central services for state agencies in the following areas:

- Accounting and financial reporting
- Warrant writing
- Technical assistance and training to local government accounting and financial personnel
- Audit review and enforcement for local governments
- Consumer affairs
- State bonded indebtedness administration
- State treasury services
- Capitol complex building maintenance and security
- State financial institution oversight and regulation
- Montana State Lottery
- Insurance coverage and Tort Claims Act administration
- Information systems development, telecommunications, and data processing
- Personnel management and labor relations
- Purchasing and surplus property administration
- Duplicating, mail, and messenger services

The department also administers the state Long-Range Building Program and state employee group benefits program. The Board of Examiners, the State Tax Appeal Board, the Appellate Defender, the Public Employees' Retirement Board, the Teachers' Retirement Board, and the Montana Consensus Council are attached to the department for administrative purposes only.

Summary of Legislative Action

Department of Administration Major Budget Highlights	
<ul style="list-style-type: none"> ○ The legislature approved establishing an indirect cost pool for centralized services functions provided by the Administrative Financial Services Division for other programs and attached agencies that would save \$591,000 general fund for the biennium ○ Funding for the Consumer Affairs Office was switched from general fund to state special revenue from claims settlement proceeds, for a potential \$459,142 general fund savings ○ Use of capitol land grant trust fund to fund major maintenance costs of the Capitol complex common areas reduces general fund by \$853,727 for the biennium ○ Personal services increase by 5.69 FTE with: 1) 1.13 FTE eliminated; 2) 6.93 FTE moved to non-budgeted proprietary funding; and 3) 13.75 FTE added ○ Public safety communications systems planning adds \$2.25 million federal funds for the biennium 	

The legislative budget shows a total fund budget increase from the base of \$3.3 million for the biennium, with a corresponding general fund decrease of \$1.4 million. The legislative budget includes funding for both HB 2 and HB 13. HB 13 funds the pay plan increases for the 2005 biennium and accounts for \$225,291 of the total fund increase and \$75,595 of the general fund budget for the biennium. Significant items in the legislative budget are: 1) a funding switch reduces general fund by \$591,000 for the biennium by establishing an indirect cost pool to fund portions of the Director's Office and the Management Support Bureau with fees paid by other programs and administratively attached agencies receiving services from the Director's Office and the Management Support Bureau; 2) a funding switch for the Consumer Affairs Office reduces general fund by \$459,142 for the biennium but earmarks fines and fees for deposit to a special revenue account instead of the general fund; 3) use of capitol land grant trust fund to fund major maintenance costs of the Capitol complex common areas reduces general fund by \$853,727 for the biennium; and 4) funding for public safety communications systems planning adds 3.00 FTE per year and \$2.25 million federal special revenue for the biennium.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

Total Agency Funding 2005 Biennium Executive Budget							
Agency Program	General Fund	State Spec.	Fed. Spec.	Cap. Projects	Proprietary	Grand Total	Total %
Admin Financial Serv Division	\$ 2,367,270	\$ 848,778	\$ 325,818	\$ -	\$ 88,381	\$ 3,630,247	10.2%
Architecture & Engineering Pgm	-	2,468,583	-	29,911	-	2,498,494	7.0%
General Services Program	1,179,294	-	-	1,000,000	-	2,179,294	6.1%
Information Tech Serv Division	315,623	-	3,254,806	-	-	3,570,429	10.0%
Banking And Financial Division	-	4,613,117	-	-	-	4,613,117	13.0%
Montana State Lottery	-	-	-	-	15,896,815	15,896,815	44.7%
State Personnel Division	2,442,168	55,086	-	-	-	2,497,254	7.0%
State Tax Appeal Board	665,713	-	-	-	-	665,713	1.9%
Governor Elect Program	50,000	-	-	-	-	50,000	0.1%
Grand Total	\$ 7,020,068	\$ 7,985,564	\$ 3,580,624	\$ 1,029,911	\$ 15,985,196	\$ 35,601,363	100.0%

Other Legislation

Senate Bill 271 - SB 271 requires that the Process Oriented Integrated System (POINTS) computer system of the Department of Revenue be replaced and the data in the current system that is needed for the replacement system be

corrected and transferred to the new system. The bill also directs that unemployment insurance (UI) tax collection processing should not be included in the functionality for the replacement system and that responsibility for collecting UI taxes should be moved back to the Department of Labor and Industry. In order to finance the replacement of POINTS, the bill provides authority for the Department of Revenue to obtain a loan from the Board of Investments and appropriates funds, up to \$17 million, to the department to expend loan proceeds to replace the system. SB 271 also provides appropriations to the Department of Revenue to pay principle and interest due on the loan during the biennium and to transition data, systems, and processes to the replacement system, and to transfer responsibility for unemployment insurance collections to the Department of Labor and Industry.

Senate Bill 402 – SB 402 created the Montana Mortgage Broker and Loan Originator Licensing Act to license residential mortgage brokers and loan originators. The executive identified that additional staffing would be needed to implement the requirements of SB 402. The legislative budget for the department includes \$128,740 state special revenue for the biennium to add 0.50 FTE in fiscal 2004 and 2.00 FTE in fiscal 2005 to administer the new requirements.

House Bill 126 – HB 126 earmarked all civil fines and fees received or recovered by the department pursuant to the consumer protection laws to a state special revenue account for use to defray the expenses of the department relative to its administration of consumer protection laws. The legislative budget includes a funding switch that replaced \$459,142 general fund for the biennium with state special revenue. However, the legislature also provided a general fund language appropriation of up to \$200,000 per year in case revenues from civil fines and fees are insufficient to fund the consumer protection activities as appropriated in state special revenue funds.

House Bill 127 – HB 127 revised unfair trade practice and consumer protection laws. It would result in nearly \$1,000 in expenditure savings by reducing travel, since cases can now be filed in Lewis and Clark County without the parties' consent. Arbitrator costs can be reduced with the ability to use one arbitrator instead of the previous three for lemon law cases. The legislature made no adjustments for these savings in the department budget.

House Bill 424 – HB 424 requires the Department of Administration to establish and enforce a telephone solicitation no-call list. The legislative budget includes \$61,258 state special revenue to fund the addition of 0.50 FTE in fiscal 2004 and 1.00 FTE in fiscal 2005 to administer the requirements of HB 424.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2002	Executive Budget Fiscal 2004	Legislative Budget Fiscal 2004	Leg – Exec. Difference Fiscal 2004	Executive Budget Fiscal 2005	Legislative Budget Fiscal 2005	Leg – Exec. Difference Fiscal 2005	Biennium Difference Fiscal 04-05
FTE	145.38	147.67	149.07	1.40	147.67	151.07	3.40	
Personal Services	6,146,865	7,219,738	7,267,442	47,704	6,860,520	7,117,960	257,440	305,144
Operating Expenses	7,423,915	10,383,919	10,387,777	3,858	8,447,613	8,465,919	18,306	22,164
Equipment	462,735	48,735	57,227	8,492	48,735	48,735	0	8,492
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	23,313	23,313	23,313	0	23,313	23,313	0	0
Grants	0	0	0	0	0	0	0	0
Transfers	933,055	551,037	500,000	(51,037)	550,886	500,000	(50,886)	(101,923)
Debt Service	1,177,627	1,177,627	1,177,627	0	32,050	32,050	0	0
Total Costs	\$16,167,510	\$19,404,369	\$19,413,386	\$9,017	\$15,963,117	\$16,187,977	\$224,860	\$233,877
General Fund	4,195,717	3,774,470	3,471,778	(302,692)	3,803,948	3,548,290	(255,658)	(558,350)
State/Other Special	2,673,474	3,612,596	3,913,110	300,514	3,639,482	4,072,454	432,972	733,486
Federal Special	503,119	2,912,708	2,913,716	1,008	662,594	666,908	4,314	5,322
Capital Projects	933,055	511,542	511,542	0	518,369	518,369	0	0
Proprietary	7,862,145	8,593,053	8,603,240	10,187	7,338,724	7,381,956	43,232	53,419
Total Funds	\$16,167,510	\$19,404,369	\$19,413,386	\$9,017	\$15,963,117	\$16,187,977	\$224,860	\$233,877

Executive Budget Comparison

The legislative budget reflects a net increase from the Executive Budget of \$233,877 for the 2005 biennium in total funds. This includes a biennium reduction of \$558,350 general fund and an increase of \$733,486 state special revenue. The

difference between the Executive Budget and the legislative budget is due to: 1) a funding switch in which \$459,142 funding for the Consumer Affairs Office was moved from general fund to state special revenue; 2) the elimination of a \$64,527 general fund subsidy for the Statewide Fueling Network, a program financed with a proprietary fund; 3) disapproval of a \$6,609 state special revenue for the biennium increase in state support for a daycare center near the Capitol Complex; 4) a \$110,276 biennium personal services reduction applied to positions funded with general fund; 5) increases totaling \$189,998 state special revenue for the biennium to fund the impacts of HB 424 and SB 402; and 6) an increase of \$225,291 total funds to fund HB 13.

Language

"There is appropriated from the general fund to the department for payments to the Montana highway patrol pension fund the amount required for this transfer, not to exceed \$350,000 for each fiscal year."

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	50,000	0	50,000	50,000
Total Costs	\$0	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000
General Fund	0	0	0	0	50,000	0	50,000	50,000
Total Funds	\$0	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000

Program Description

The Governor Elect Program pays start-up costs for the incoming Governor, as required by 2-15-221, MCA.

Program Narrative

Department of Administration Governor Elect Program Major Budget Highlights	
o	\$50,000 general fund only in fiscal 2005

Funding

The Governor Elect Program is fully funded with general fund.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Governor-elect appropriation	0.00	0	0	0	0	0.00	50,000	0	0	50,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$50,000	\$0	\$0	\$50,000
Grand Total All Present Law Adjustments				\$0						\$50,000

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 201 - Governor-elect appropriation - The legislature approved \$50,000 general fund in fiscal 2005 for startup costs of a Governor-elect and their staff from the general election to inauguration in the event a new Governor is elected in the 2004 general election.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	31.92	1.75	(5.83)	27.84	1.75	(5.33)	28.34	28.34
Personal Services	1,435,246	216,453	(423,073)	1,228,626	213,824	(383,819)	1,265,251	2,493,877
Operating Expenses	452,632	54,071	49,211	555,914	30,333	53,225	536,190	1,092,104
Local Assistance	22,133	0	0	22,133	0	0	22,133	44,266
Grants	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,910,011	\$270,524	(\$373,862)	\$1,806,673	\$244,157	(\$330,594)	\$1,823,574	\$3,630,247
General Fund	1,774,799	140,340	(729,730)	1,185,409	120,432	(713,370)	1,181,861	2,367,270
State/Other Special	54,405	104,581	255,518	414,504	98,324	281,545	434,274	848,778
Federal Special	39,775	22,859	100,172	162,806	22,745	100,492	163,012	325,818
Proprietary	41,032	2,744	178	43,954	2,656	739	44,427	88,381
Total Funds	\$1,910,011	\$270,524	(\$373,862)	\$1,806,673	\$244,157	(\$330,594)	\$1,823,574	\$3,630,247

Program Description

The Administrative Financial Services Division consists of several units. The Director's Office is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies. The Legal Unit provides legal services to agency and administratively attached programs. The Accounting Bureau is the process owner of the financial portion of the Statewide Budgeting, Accounting, and Human Resource Systems (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau and Personnel function provides financial, budgeting, accounting, personnel, payroll, and data processing functions for the department. The Local Government Services Bureau provides technical assistance and training to local government accounting and financial personnel and defines, reviews, and enforces auditing requirements for Montana's local governments. The Consumer Affairs Office advocates on behalf of Montana's consumers in matters of unfair or deceptive business actions.

Program Narrative

Department of Administration Administrative Financial Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals reduce total funds by \$198,775 for the two years of the biennium with a base of \$1.9 million ○ A funding switch to fund portions of the Director's Office and the Management Support Bureau as an indirect cost pool reduces general fund by \$591,000 for the biennium ○ A funding switch for the Consumer Affairs Office reduces general fund by \$459,142 for the biennium by earmarking consumer protection related fines and fees to a special revenue account and funding the office from the state special revenue account 	

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
Admin Financial Serv Division						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 1,774,799	92.9%	\$ 1,185,409	65.6%	\$ 1,181,861	64.8%
02140 Consumer Education Settlement	49,348	2.6%	409,447	22.7%	429,217	23.5%
02317 Financial Advisor Fees	5,057	0.3%	5,057	0.3%	5,057	0.3%
03320 Cmia Funds	17,642	0.9%	40,673	2.3%	40,879	2.2%
03369 Flood Control Payments	22,133	1.2%	22,133	1.2%	22,133	1.2%
03978 Federal Portion Of State Divid	-	-	100,000	5.5%	100,000	5.5%
06527 Investment Division	<u>41,032</u>	<u>2.1%</u>	<u>43,954</u>	<u>2.4%</u>	<u>44,427</u>	<u>2.4%</u>
Grand Total	\$ 1,910,011	100.0%	\$ 1,806,673	100.0%	\$ 1,823,574	100.0%

The Administrative Financial Services Division is funded with general fund, state and federal special revenues, and proprietary funds. State special revenue primarily comes from consumer education settlements with a smaller amount from financial advisor fees. Federal special revenue is from federal Cash Management Improvement Act funds, flood control payments, and the federal portion of State Fund dividends. The division is also funded with a direct appropriation of Board of Investments proprietary fund for services the Treasury Unit provides to the board.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					213,463					210,926
Vacancy Savings					(65,948)					(65,845)
Inflation/Deflation					3,162					3,197
Fixed Costs					(21,977)					(27,386)
Total Statewide Present Law Adjustments					\$128,700					\$120,892
DP 301 - Rent Increase LGS -GF	0.00	6,333	0	0	6,333	0.00	6,460	0	0	6,460
DP 306 - Fund Burial Preservation Board	0.25	38,090	0	0	38,090	0.25	28,070	0	0	28,070
DP 307 - Increase FTE for Consumer Protection	1.50	0	77,290	0	77,290	1.50	0	71,111	0	71,111
DP 309 - Indirect Fixed Costs	0.00	(10,120)	30,213	18	20,111	0.00	(10,163)	30,219	18	20,074
DP 310 - Police Retirement Fund Reduction	0.00	0	0	0	0	0.00	(2,450)	0	0	(2,450)
Total Other Present Law Adjustments										
	1.75	\$34,303	\$107,503	\$18	\$141,824	1.75	\$21,917	\$101,330	\$18	\$123,265
Grand Total All Present Law Adjustments					\$270,524					\$244,157

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 301 - Rent Increase LGS - GF - The legislature approved an increase of \$12,793 general fund for the biennium for rent increases for space the Local Government Services Bureau occupies in the old federal building in Helena.

DP 306 - Fund Burial Preservation Board - The legislature approved an increase of \$66,160 general fund for the biennium to fund an additional 0.25 FTE administrative support and contracted services to hire hearings officers to support work

under the Montana Repatriation Act to provide a mechanism through which culturally affiliated human skeletal remains or funerary objects taken from burial sites could be returned to family members. The legislature encouraged the department to attempt to locate a source of federal funds to provide future funding for this function.

DP 307 - Increase FTE for Consumer Protection - The legislature approved an increase of \$148,401 consumer education settlement state special revenue for the biennium to fund an additional 1.50 FTE and operating costs to address workload increases experienced enforcing the Consumer Protection Act. The legislature directed the department to provide a report to the next appropriate appropriations subcommittee detailing the work that the additional staffing has accomplished and the resulting impact on revenues.

DP 309 - Indirect Fixed Costs - The legislature approved an increase of \$40,185 for the biennium for increases in department indirect and administrative costs for services received from other proprietary funded centralized service functions of the agency. Funding includes a reduction of \$20,283 general fund and increases of \$60,432 state special revenue and \$36 federal special revenue.

DP 310 - Police Retirement Fund Reduction - The legislature approved a reduction of \$2,450 general fund to remove funding in fiscal 2005 for an actuarial report on the Police Retirement Fund.

New Proposals										
Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303 - Return to Federal Portion of State Fund Dividend										
03	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 311 - Fund Switch 0.33 FTE - HB 2										
03	(0.33)	(16,745)	0	0	(16,745)	(0.33)	(16,696)	0	0	(16,696)
DP 315 - Indirect Cost Allocation - HB 2										
03	(6.00)	(456,981)	0	0	(456,981)	(6.00)	(456,897)	0	0	(456,897)
DP 317 - Indirect Cost Allocation - HB2										
03	0.00	23,698	1,922	74	25,694	0.00	23,724	1,924	74	25,722
DP 330 - Funding Switch for Consumer Protection										
03	0.00	(229,571)	229,571	0	0	0.00	(229,571)	229,571	0	0
DP 331 - HB 424 -- No Call List										
03	0.50	0	21,599	0	21,599	1.00	0	39,659	0	39,659
DP 655 - Personal Services Reduction										
03	0.00	(55,138)	0	0	(55,138)	0.00	(55,138)	0	0	(55,138)
DP 6800 - HB 13 - Pay Plan										
03	0.00	5,007	2,426	98	7,709*	0.00	21,208	10,391	418	32,756*
Total	(5.83)	(\$729,730)	\$255,518	\$100,172	(\$373,862)*	(5.33)	(\$713,370)	\$281,545	\$100,492	(\$330,594)*

New Proposals

DP 303 - Return to Federal Portion of State Fund Dividend - The legislature approved an increase of \$200,000 federal special revenue for the biennium so the department can return State Fund dividends to the Health and Human Services Federal Program through a warrant. The legislature established a separate line item for this appropriation and restricted it only to be used to return the federal portion of state fund dividends as stated.

DP 311 - Fund Switch 0.33 FTE - HB 2 - The legislature approved a reduction of \$33,441 general fund for the biennium to switch funding for an existing 0.33 FTE from general fund to warrant writer proprietary fund.

DP 315 - Indirect Cost Allocation - HB 2 - The legislature approved a funding switch with a reduction of \$913,878 general fund for the biennium to fund portions of the Director's Office and the Management Support Bureau as an indirect cost pool with proprietary funds derived from charging an indirect cost rate to other programs of the department and administratively attached agencies and boards. This funding switch removed funding in HB 2 for 6.00 FTE and associated operating costs. The indirect cost pool will fund the expenses of the Director's Office and other centralized functions that prepare agency budgets, coordinate fiscal notes, and pay bills for those programs without dedicated

accounting staff.

DP 317 - Indirect Cost Allocation - HB2 - The legislature approved increases of \$47,422 general fund, \$3,846 state special revenue, and \$148 federal special revenue for the biennium to fund the division's share of the indirect cost pool formed in new proposal DP 315 of this program.

DP 330 - Funding Switch for Consumer Protection - The legislature approved a funding switch for the Consumer Affairs Office that reduced general fund by \$229,571 in each year and increased state special revenue by the same amount.

DP 331 - HB 424 -- No Call List - The legislature approved additional state special revenue funding to add 0.50 FTE in fiscal 2004 and 1.00 FTE in fiscal 2005 and associated operating costs for a telemarketing no-call list and enforcement responsibilities.

DP 655 - Personal Services Reduction - The legislature applied a further vacancy savings on general fund positions. The average for this agency is 1.6 percent on general fund and 0.3 percent on total funding.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Language

"Item 2 [Admin Financial Services Division] includes a reduction of \$229,571 in fiscal year 2004 and \$229,571 in fiscal year 2005 of general fund money and like increases in state special revenue. If revenue deposited in the state special revenue fund is less than the amount of state special revenue contained in item 2, there is appropriated from the general fund up to \$200,000 in fiscal year 2004 and \$200,000 in fiscal year 2005."

"Item 2 [Admin Financial Services Division] includes a reduction in general fund money of \$55,138 in fiscal year 2004 and \$55,138 in fiscal year 2005 for the statewide FTE reduction. The agency may allocate this reduction in funding among programs when developing 2005 biennium operating plans."

Proprietary Rates

Legal Services Unit (Fund 06504)

Program Description

The Legal Services Unit advises all divisions within the department and those administratively attached to the department on legal matters. The unit receives funding from the general fund and through the legal services internal service fund. Only the portion of the unit funded by the internal service fund is discussed below. The general fund portion supporting 0.17 FTE is shown on the main budget tables and discussed in the HB 2 portion of the division narrative.

Revenues and Expenses

The Legal Services Unit receives revenues via an allocation of anticipated expenses of the unit to all non-general fund divisions of the department and administratively attached agencies and boards. The allocation is based on a time study of work performed. In fiscal 2002, revenues of just over \$172,000 were received from the following funding sources in the percentages and approximate amounts shown:

- State special revenue (18 percent), \$3,700
- Proprietary funds (62 percent), \$127,300
- Trust funds (20 percent), \$41,000

In fiscal 2002, revenues funded personal services for 1.58 FTE and operating costs. Personal services of approximately \$138,100 comprised 90.0 percent of expenses, with operating expenses making up the remaining \$15,000 or 10.0 percent of unit expenses.

Fiscal 2002 revenues and expenses show proportional increases that reflect the addition of 0.75 FTE that resulted when programs of the Department of Commerce were moved into the Department of Administration after the 2001 legislature passed SB 445. SB 445 reorganized the Department of Commerce and reassigned four of its programs to the Department of Administration. As a result, the Legal Services Unit increased to the current 1.58 FTE funded with proprietary funds. The revenues and expenses for the 2005 biennium assume legislative approval to fund an additional 0.50 FTE with this fund.

Allocation of Legal Services Unit anticipated costs is done during July of each fiscal year. Because collection is done once a year at the beginning of the year, rates are developed to only recover expenses on a breakeven basis. However, in fiscal 2002, expenses were over recovered by nearly \$20,000. The unit proposes to use these extra revenues to accumulate fund balance to offset a liability due to a large amount of accrued leave.

Rate Explanation

The figure to the right shows the rates the legislature approved for the Legal Services Unit for the 2005 biennium.

By approving these rates, the legislature concurred in the following present law adjustments and new proposals for the Legal Services Unit that total \$60,837 for the 2005 biennium:

- A net increase totaling \$3,140 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- An increase of \$57,697 for the biennium for funding to add 0.50 FTE lawyer to the unit

Management Services Unit (Fund 06534)

Program Description

The Management Services Unit coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and its presentation to the legislature, processes budget change documents on approved budgets through OBPP, and monitors approved budgets for compliance with state law and legislative intent. The unit also provides accounting assistance to the non-general funded divisions within the department.

Revenues and Expenses

In fiscal 2002, the Management Services Unit had revenues of nearly \$59,000 from fees paid by divisions of the department. These revenues were received from the following funding sources in the percentages and approximate amounts shown:

- General fund (10 percent), \$5,900
- State special revenue (40 percent), \$23,600
- Proprietary funds (50 percent), \$29,500

In fiscal 2002, revenues funded personal services for 1.00 FTE and operating costs. Personal services of about \$43,400 were nearly 87.0 percent of expenses, with operating expenses making up the remaining \$6,500 or roughly 13.0 percent of unit expenses. The unit was formed when programs of the Department of Commerce were moved into the Department of Administration through passage of SB 445 by the 2001 legislature.

Rate Explanation

In the 2003 biennium, the unit supported department budget functions for divisions and workload was driven by

Rates Approved by the Legislature Legal Services Unit (Fund 06504)		
Program	Fiscal 2004	Fiscal 2005
Amount of costs allocated to served programs:		
Teachers' Retirement	\$ 20,071	\$ 20,071
Personnel Division	21,504	21,504
Risk Management & Tort Defense	1,434	1,434
General Services	5,018	5,018
Architecture & Engineering	15,770	15,770
Information Services	19,354	19,354
Consumer Affairs	35,841	35,841
Banking Division	8,602	8,602
Lottery	14,336	14,336
Local Government Services	<u>7,168</u>	<u>7,168</u>
Total	<u>\$ 149,098</u>	<u>\$ 149,098</u>

appropriation factors. As such the operations of the unit were financed with a rate based on a percentage of appropriations in divisions.

For the 2005 biennium, the legislature approved a funding switch that moved 6.00 FTE from HB 2 funding to funding from the management services proprietary fund. This funding switch formed an indirect cost pool for functions of the Director's Office and other centralized services functions of the department.

The adjacent figure shows the rates approved by the legislature for the Management Services Unit in the 2005 biennium.

By approving these rates, the legislature concurred in the following present law adjustments and new proposals for the Management Services Unit that total \$921,515 for the 2005 biennium:

- A net increase totaling \$3,450 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- An increase of \$918,065 to move existing 6.00 FTE from HB 2 funding to funding from the management services proprietary fund. This funding switch will fund the department director, deputy director, dedicated administrative support staff of the director, two accountants, and an accounting/fiscal manager from an indirect cost pool. Expenses of the cost pool will be charged to all divisions of the department and to administratively attached boards and agencies. The indirect cost pool will share the costs of the Director's Office and would pay for budget work, fiscal note coordination, and bill paying in those divisions without dedicated accounting staff.

Rates Approved by the Legislature Management Services Unit (Fund 06534)		
Program	Fiscal 2004	Fiscal 2005
Amount of costs allocated to served programs:		
Administrative Financial Services	\$ 48,662	\$ 48,713
Architecture & Engineering	8,298	8,294
General Services	69,111	69,088
Information Services	223,900	223,790
Personnel Division	20,034	20,026
Risk Management & Tort Defense	34,480	34,463
Banking Division	22,078	22,102
Lottery	25,728	25,715
State Tax Appeal Board	4,129	4,133
Appellate Defender	2,659	2,662
Montana Consensus Council	3,920	3,924
Totals	<u>\$ 462,999</u>	<u>\$ 462,910</u>

Network Support Unit (Fund 06560)

Program Description

The Network Support Unit administers all data processing functions of the department except those of the Information Technology Services Division. The unit installs software and hardware, responds to computer problems, and answers software questions. The unit also provides computer-programming services.

Revenues and Expenses

In fiscal 2002, the Network Support Unit had revenues of roughly \$175,000 from fees paid by divisions of the department. These revenues were received from the following funding sources in the percentages and approximate amounts shown:

- General fund (35.3 percent), \$61,800
- State special revenue (14.3 percent), \$25,000
- Proprietary funds (50.4 percent), \$88,200

Revenues from fees are received in July and August of each fiscal year, and the unit draws down this cash balance during the fiscal year to pay for operating expenses. In fiscal 2002, the division received \$22,000 more in revenues than expenses or 14.5 percent of annual expenses.

In fiscal 2002, revenues funded personal services for 3.50 FTE and operating costs. Personal services of nearly \$119,700 were roughly 79.0 percent of expenses, with operating costs making up the remaining \$31,600 or roughly 21.0 percent of unit expenses. Operating expenses are comprised of fixed costs, computer equipment, and software. During the 2003 biennium, 1.00 FTE was added when programs of the Department of Commerce were moved into the Department of Administration after SB 445 was passed by the 2001 legislature.

Rate Explanation

The legislature approved \$690 per user in fiscal 2004 and \$688 per user in fiscal 2005 as the maximum rates for the 2005 biennium to finance the operations of the Network Support Unit.

By approving these rates, the legislature concurred in present law adjustments and new proposals for the Network Support Unit that totaled \$6,442 for the 2005 biennium and are for fixed cost changes and establishing an indirect cost pool with centralized functions of the department.

Warrant Writer Program (Fund 06564)**Program Description**

The department provides the services of the Warrant Writer Program to most state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing.

The system handles about two million payment transactions per year. Payment transactions include warrant writing and electronic transfers for vendor payments, retirement payments for public employees and teachers, payroll, worker's compensation, income tax refunds, special refunds, and public assistance benefit payments. In addition, the program maintains a central payee file to facilitate payment processing. The program is also responsible for consolidation of 1099-MISC information for the Internal Revenue Service. The program coordinates compliance with IRS rules governing 1099 MISC-filings and error reports.

The program is authorized through 17-8-305, MCA. Statute does not allow for an alternative for agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system.

Revenues and Expenses

In fiscal 2002, the Warrant Writer Program had revenues of roughly \$922,400 from fees paid by agencies statewide. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (36.2 percent), \$333,900
- State special revenue (10.4 percent), \$95,900
- Federal special revenue (19.7 percent), \$181,700
- Proprietary funds (14.6 percent), \$134,700
- All other funds (19.1 percent), \$176,200

Revenues from fees are typically received within 45 days of each monthly billing. In fiscal 2002, the program received \$183,000 more in revenues than expenses or just less than 25 percent of annual expenses. This over recovery was primarily due to higher volumes of transactions experienced than were projected and is a factor for reducing the rates requested for the 2005 biennium.

In fiscal 2002, revenues funded personal services for 6.00 FTE and operating costs. Personal services of roughly \$142,700 were about 19 percent of expenses, with operating costs making up the majority of costs at roughly \$568,200 or nearly 77 percent of unit expenses. Major cost drivers include contract printing of warrants, warrant stock, and postage to mail warrants. Warrant stock cost and Information Technology Services Division print rates are expected to remain the same as in fiscal 2002 and postage is projected to increase 3 cents per item.

Rate Explanation

The adjacent figure shows the rates approved by the legislature for the Warrant Writer Program in the 2005 biennium.

By approving these rates, the legislature concurred in the following present law adjustments and new proposals for Warrant Writer Program that total roughly \$140,400 for the 2005 biennium:

- A net increase totaling \$22,954 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- An increase of \$84,000 for the biennium for increased postage costs that went into effect after the base year
- An increase of \$33,441 for the biennium for funding to move an existing 0.33 FTE from general fund in HB 2 to funding from the warrant writer proprietary fund (offset to new proposal DP 311)

Rates Approved by the Legislature Warrant Writer Program		
Service	Fiscal 2004	Fiscal 2005
Mailer Warrants	\$ 0.58624	\$ 0.58017
Non-Mailer Warrants	0.17803	0.17195
Duplicate Warrants	5.63949	5.63768
External Warrants	0.15523	0.14915
Emergency Warrants	4.26759	4.26588

Human Resource Unit (Fund 06570)**Program Description**

The Human Resource Unit processes payroll and provides new employee orientation for all divisions of the department and agencies administratively attached to the department, assists with recruitment and selection, classifies positions, and develops personnel policies and procedures.

Revenues and Expenses

In fiscal 2002, the Human Resource Unit had revenues of roughly \$116,800 from fees paid by divisions served. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- State special revenue (22.2 percent), \$26,000
- Proprietary funds (68.3 percent), \$79,800
- Trust funds (9.5 percent), \$11,000

In fiscal 2002, revenues funded personal services for 2.75 FTE and operating costs. Personal services of roughly \$122,900 were 82 percent of expenses, with operating costs making up the remaining \$20,900 or 18 percent of unit expenses. Fiscal 2002 revenues and expenses show increases proportional to adding 1.00 FTE that resulted when programs of the Department of Commerce were moved into the Department of Administration after the 2001 legislature passed SB 445.

General funded divisions do not pay a fee for this program. Instead, general funded programs are supported with 0.25 FTE funded by a direct appropriation of general fund in the Administrative Financial Services Division. The general fund position is included in the main budget tables for the division.

Rate Explanation

The adjacent figure shows the rates approved by the legislature for the Human Resource Unit in the 2005 biennium.

By approving these rates, the legislature concurred in the following present law adjustments and new proposals for the Human Resource Unit that result in a net reduction of \$1,377 for the 2005 biennium and are for fixed cost changes and establishing an indirect cost pool with centralized functions of the department.

Audit Review and Defalcation Audit Programs (Fund 06042/0643)**Program Description**

The Audit Review Program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the audit requirements for all Montana local government entities. It also provides information to the public regarding local government audits, audit findings, entity responses to findings, legal compliance, and accounting requirements.

The Defalcation Audit Program coordinates the financial and compliance post-auditing of financial statements of local taxing jurisdictions by contracting with private accounting firms. The program determines if a special audit of a local government entity should be conducted due to a significant defalcation or an alleged financial or reporting impropriety.

Revenues and Expenses

The Audit Review Program receives revenues from two fees:

- The report filing fee, required by 2-7-514, MCA, is based upon costs incurred by the department for administering the Audit Review Program. All local government entities that are required to submit audits pay the filing fee.
- A roster fee is collected from auditors for their inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana.

The fee revenues support a staff of 4.00 FTE.

Funding for the Defalcation Audit Program is derived from the reimbursable special audit costs received from local government entities undergoing audits or reviews. No FTE are funded with Defalcation Audit Program funds. Audit Review Program staff perform any administrative or monitoring work related to the contracted special audits or reviews. The department's cost recovery is dependent on the fiscal capacity of audited local government entities.

Rate Explanation

Since the Audit Review Program is funded with an enterprise fund, the legislature does not approve fees and charges for the program.

Rates Approved by the Legislature Human Resource Unit		
Program	Fiscal 2004	Fiscal 2005
Amount of costs allocated to served programs:		
Teachers' Retirement	\$ 5,278	\$ 5,299
Public Employees' Retirement	10,062	10,101
Administrative Financial Services	9,568	9,605
Architecture & Engineering	5,608	5,630
General Services	27,525	27,633
Information Technology Services	29,690	29,806
Personnel Division	6,928	6,955
Risk Management & Tort Defense	5,278	5,299
Banking Division	8,247	8,280
Montana State Lottery	10,556	10,598
Montana Consensus Council	660	662
Totals	<u>\$ 119,400</u>	<u>\$ 119,868</u>

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	794,977	132,413	5,156	932,546	131,293	22,079	948,349	1,880,895
Operating Expenses	296,554	(470)	8,298	304,382	8,369	8,294	313,217	617,599
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,091,531	\$131,943	\$13,454	\$1,236,928	\$139,662	\$30,373	\$1,261,566	\$2,498,494
State/Other Special	1,091,531	120,401	13,454	1,225,386	121,293	30,373	1,243,197	2,468,583
Capital Projects	0	11,542	0	11,542	18,369	0	18,369	29,911
Total Funds	\$1,091,531	\$131,943	\$13,454	\$1,236,928	\$139,662	\$30,373	\$1,261,566	\$2,498,494

Program Description

The Architecture and Engineering Division (A&E) manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The division also formulates a long-range building plan for legislative consideration each session.

Program Narrative

Department of Administration Architecture and Engineering Division Major Budget Highlights	
○	Increase of \$315,432 million state special revenue funds for the two years of the biennium with a base of \$1.1 million is primarily due to statewide present law adjustments

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table Architecture & Engineering Pgm							
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005	
02030 Arch & Engin Construction	\$ 1,091,531	100.0%	\$ 1,225,386	99.1%	\$ 1,243,197	98.5%	
05007 Long Range Building Program	<u> </u>	<u> </u>	<u>11,542</u>	<u>0.9%</u>	<u>18,369</u>	<u>1.5%</u>	
Grand Total	\$ 1,091,531	100.0%	\$ 1,236,928	100.0%	\$ 1,261,566	100.0%	

The Architecture and Engineering Division is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenses.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					171,054					169,888
Vacancy Savings					(38,641)					(38,595)
Inflation/Deflation					1,162					1,829
Fixed Costs					5,599					13,774
Total Statewide Present Law Adjustments					\$139,174					\$146,896
DP 401 - Other Fixed Costs	0.00	0	(7,231)	0	(7,231)	0.00	0	(7,234)	0	(7,234)
Total Other Present Law Adjustments	0.00	\$0	(\$7,231)	\$0	(\$7,231)	0.00	\$0	(\$7,234)	\$0	(\$7,234)
Grand Total All Present Law Adjustments					\$131,943					\$139,662

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 401 - Other Fixed Costs - The legislature approved a reduction of roughly \$14,500 state special revenue for the biennium for indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 318 - Indirect Cost Allocation - HB576										
04	0.00	0	8,298	0	8,298	0.00	0	8,294	0	8,294
DP 6800 - HB 13 - Pay Plan										
04	0.00	0	5,156	0	5,156	0.00	0	22,079	0	22,079
Total	0.00	\$0	\$13,454	\$0	\$13,454*	0.00	\$0	\$30,373	\$0	\$30,373*

New Proposals

DP 318 - Indirect Cost Allocation - HB576 - The legislature approved an increase of \$16,592 state special revenue for the biennium to provide indirect cost payments for a new indirect cost pool formed from portions of the Director's Office and the Management Support Bureau that provide centralized service functions for divisions of the department.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	10.05	0.00	(0.10)	9.95	0.00	(0.10)	9.95	9.95
Personal Services	419,643	21,422	(4,548)	436,517	20,708	3,188	443,539	880,056
Operating Expenses	465,124	57,910	(404,480)	118,554	73,245	(421,785)	116,584	235,138
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Transfers	933,055	0	(433,055)	500,000	0	(433,055)	500,000	1,000,000
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$1,849,872	\$79,332	(\$842,083)	\$1,087,121	\$93,953	(\$851,652)	\$1,092,173	\$2,179,294
General Fund	916,817	79,332	(409,028)	587,121	93,953	(418,597)	592,173	1,179,294
Capital Projects	933,055	0	(433,055)	500,000	0	(433,055)	500,000	1,000,000
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$1,849,872	\$79,332	(\$842,083)	\$1,087,121	\$93,953	(\$851,652)	\$1,092,173	\$2,179,294

Program Description

The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act.

The Print Services Bureau provides printing services to state agencies by operating a central facility for duplicating and binding, desktop publishing, layout and design, graphic illustration, and forms design. It operates three quick-copy centers, administers the state photocopy pool, and approves the procurement of all printing and printing-related purchases for state agencies.

Mail services for state agencies in the Helena area are provided through a centralized facility that manages incoming, outgoing, and interagency mail. In addition, the bureau operates a full service contract United States post office in the state capitol building. The Property and Supply Bureau manages the Central Stores program and the State and Federal Surplus Property programs. The division also manages the state's vehicle fueling, energy procurement, and procurement card functions.

Program Narrative

Department of Administration General Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals reduce total funds by \$1.5 million for the two years of the biennium with a base of \$1.8 million ○ The use of capitol land grant trust funds to replace general fund support of capitol complex maintenance reduced general fund by \$853,727 for the biennium ○ 0.06 FTE were transferred to the Statewide Fueling Network Program and funded with proprietary funds ○ Most expenditures are funded through off-budget proprietary funds ○ Office rental rates for state-owned buildings increased from those in the 2003 biennium largely because capitol land grant trust fund subsidized rates in the 2003 biennium but will not for the 2005 biennium 	

Program Reorganization

During the 2003 biennium, the General Services Program was combined with the Mail and Distribution Bureau and the Procurement and Printing Division to form the General Services Division. All three functions continue to provide the same services as before the reorganization. The main difference is that division management was consolidated under fewer managers.

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table General Services Program						
<u>Program Funding</u>	<u>Base Fiscal 2002</u>	<u>% of Base Fiscal 2002</u>	<u>Budget Fiscal 2004</u>	<u>% of Budget Fiscal 2004</u>	<u>Budget Fiscal 2005</u>	<u>% of Budget Fiscal 2005</u>
01100 General Fund	\$ 916,817	49.6%	\$ 587,121	54.0%	\$ 592,173	54.2%
05008 Capital Land Grant	<u>933,055</u>	<u>50.4%</u>	<u>500,000</u>	<u>46.0%</u>	<u>500,000</u>	<u>45.8%</u>
Grand Total	<u>\$ 1,849,872</u>	<u>100.0%</u>	<u>\$ 1,087,121</u>	<u>100.0%</u>	<u>\$ 1,092,173</u>	<u>100.0%</u>

The General Services Division is funded with general fund, capitol land grant trust fund, and proprietary funds. General fund provides funding for the procurement bureau and facilities maintenance functions for common areas of the Capitol Building, office space for the Senate and House of Representatives, Governor's Mansion, public display areas in the Historical Society Museum, and some office space in the museum building. Capitol land grant trust fund was used in the 2003 biennium to supplement rental rates to the Department of Administration for all agencies, but would be used in the 2005 biennium to supplement only the general fund support for common areas.

The following programs are funded with proprietary funds and are not shown on the main budget tables but are discussed in the proprietary rates section for the division:

- Mail services
- Print services
- Property and supply

- Central stores
- Facilities management
- Surplus property
- State fueling network
- State procurement card

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					39,799					39,055
Vacancy Savings					(18,377)					(18,347)
Inflation/Deflation					899					910
Fixed Costs					57,772					73,112
Total Statewide Present Law Adjustments					\$80,093					\$94,730
DP 601 - Adjust Management Services Fixed Costs	0.00	(761)	0	0	(761)	0.00	(777)	0	0	(777)
Total Other Present Law Adjustments	0.00	(\$761)	\$0	\$0	(\$761)	0.00	(\$777)	\$0	\$0	(\$777)
Grand Total All Present Law Adjustments					\$79,332					\$93,953

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 601 - Adjust Management Services Fixed Costs - The legislature approved a reduction of roughly \$1,500 general fund for the biennium for indirect/administrative costs for services received from other proprietary funded centralized services functions of the agency.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 317 - Indirect Cost Allocation - HB 2										
06	0.00	7,677	0	0	7,677	0.00	7,685	0	0	7,685
DP 611 - Use Capitol Land Grant for Major Maintenance										
06	0.00	(419,857)	0	0	(852,912)*	0.00	(433,870)	0	0	(866,925)*
DP 612 - Transfer & Fund FTE in Fueling Program										
06	(0.60)	(32,309)	0	0	(32,309)	(0.60)	(32,218)	0	0	(32,218)
DP 614 - FTE for PeopleSoft Procurement Module										
06	0.50	33,130	0	0	33,130	0.50	29,771	0	0	29,771
DP 6800 - HB 13 - Pay Plan										
06	0.00	2,331	0	0	2,331	0.00	10,035	0	0	10,035
Total	(0.10)	(\$409,028)	\$0	\$0	(\$842,083)*	(0.10)	(\$418,597)	\$0	\$0	(\$851,652)*

New Proposals

DP 317 - Indirect Cost Allocation - HB 2 - The legislature approved an increase of \$15,362 general fund for the biennium to provide indirect cost payments for a new indirect cost pool formed from portions of the Director's Office and the Management Support Bureau that provide centralized service functions for divisions of the department.

DP 611 - Use Capitol Land Grant for Major Maintenance - The legislature approved reductions of \$0.9 million general fund and \$0.9 capitol land grant trust funds for the biennium. This adjustment was made to leave a net \$1.0 million for

the biennium of capitol land grant trust funds for major maintenance costs of the Capitol complex common areas that are not specifically allocated to tenant agencies.

DP 612 - Transfer & Fund FTE in Fueling Program - The legislature approved transferring funding for 0.60 FTE from the Procurement Bureau to the Statewide Fueling Network Program.

DP 614 - FTE for PeopleSoft Procurement Module - The legislature approved an increase of \$62,901 general fund for the biennium to fund the addition of 0.50 FTE for duties associated with the procurement module of the statewide accounting, budgeting, and human resource system (SABHRS). The position will manage system data, trouble-shoot hardware and software problems, test upgrades and software fixes, train bureau and agency staff, and adapt internal processes to the software requirements.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Proprietary Rates

Program Description

The General Services Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- Facilities management
- Mail services
- Print services
- Surplus property
- Central Stores
- Statewide Fueling Network
- Procurement Card

Facilities Management Bureau (Fund 06528)

Program Description

The Facilities Management Bureau is custodian of all state property in the state capitol area, which is the geographic area within a 10-mile radius of the state capitol. The bureau provides facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area and provides statewide leasing assistance to agencies to negotiate co-location of agencies to procure leased space for field offices. The bureau also manages the office waste paper products recycling program in the Helena area. The program serves all agencies and units within state government.

Revenues and Expenses

In fiscal 2002, the Facilities Management Bureau had revenues of roughly \$4.8 million from rent payments paid by tenant agencies. Rent payments make up 78.5 percent of revenues for the bureau. These rent payments were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (50.2 percent), \$2,400,000
- State special revenue (15.1 percent), \$709,000
- Federal special revenue (15.0 percent), \$704,000
- Proprietary funds (19.3 percent), \$905,000
- All other funds (0.4 percent), \$16,000

Also in fiscal 2002, a transfer of \$933,055 from capitol land grant trust fund revenues funded an additional 15.4 percent of the operations of the program. This same amount is also planned for fiscal 2003. Because timber sale revenues are expected to decrease from those seen in the 2003 biennium, the support from the capitol land grant trust fund was reduced to \$500,000 per year of the 2005 biennium. (The timber sale revenues were high during the 2003 biennium because of timber sales in burn areas of the 2000 fire season.)

In fiscal 2002, revenues funded personal services for 23.10 FTE and operating costs. Personal services of roughly \$0.9 million were 16.5 percent of expenses. The lion's share of costs was for operating expenses amounting to \$4.5 million or 83.3 percent of program expenses. Operating expenses are comprised of utilities, repair and maintenance, and contracted services. The program contracts for these functions: insurance, janitorial, mechanical, elevator, pest control, and security services. All contracted costs are expected to increase in the 2005 biennium as contracts are renewed and because of the state taking over ownership of the old National Guard armory building in Helena during the 2003 biennium.

Rate Explanation

Rent is assessed on a cost per square foot basis to each agency occupying space in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services and operating expenses, including maintenance and equipment. Project work completed for agencies by in-house staff or contracted with an outside vendor is on a cost recovery basis.

The adjacent figure shows the rates approved by the legislature for the 2005 biennium to fund the Facilities Management Bureau.

Facilities Management Bureau Rates Approved by the Legislature			
Description	Billing basis	Fiscal 2004	Fiscal 2005
Office rent	\$ per sq. ft.	6.310	6.545
Storage rent	\$ per sq. ft.	2.270	2.290
Project management (in-house)	percent of project cost	15	15
Project management (contracted)	percent of project cost	5	5

By approving these rates, the legislature concurred in the following present law adjustments and new proposals for Facilities Management Bureau that total \$1,274,511 for the 2005 biennium:

- o A net increase totaling \$93,437 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- o An increase of \$1,181,074 for the biennium for additional operating costs of facilities management broken down as: 1) janitorial contract increases; 2) maintenance contracts for elevator maintenance, mechanical maintenance, and pest control services; 3) security protection; 4) security training for state employees; 5) fire suppression services and fire sprinkler system and fire alarm system inspections; 6) utilities of new buildings brought into state ownership during the base year; and 7) increased cost for lease of land at the Helena Regional Airport

Mail Services Section (Fund 06523)

Program Description

The Mail Services Section provides a centralized mailing service. Services provided by the program include: 1) mail pick-up and delivery in agency offices; 2) metering of out-going U.S. mail; 3) bar coding mailings that qualify for postal rate savings; 4) delivery of inter-agency printed communications, also known as "deadhead mail"; 5) operation of a postal contract station with locked mail boxes in the Capitol Building; 6) United Parcel Service (UPS); and 7) express mail service. Customers include all agencies and units within state government.

Revenues and Expenses

The centralized mail operations, including pick-up and delivery, metering of out-going mail, bar coding operations, and express mail and United Parcel Service, provide 94 percent of mail services revenue; inter-agency mail accounts for 5 percent; and the contract station provides the remaining 1 percent of program revenue.

The U.S. Postal Service contributes to the operation of the postal contract station located in the Capitol Building.

In fiscal 2002, mail services had revenues of roughly \$3.4 million from postage fees collected from agencies statewide. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (18 percent), \$602,600
- State special revenue (14 percent), \$468,700
- Federal special revenue (11 percent), \$368,200
- Proprietary funds (28 percent), \$937,300
- All other funds (29 percent), \$970,800

Also during fiscal 2002, mail services had revenues of roughly \$165,000 from fees collected for inter-agency mail. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (41 percent), \$67,800
- State special revenue (18 percent), \$28,800
- Federal special revenue (9 percent), \$15,500
- Proprietary funds (25 percent), \$41,700
- All other funds (7 percent), \$11,200

In fiscal 2002, revenues funded personal services for 16.76 FTE, operating costs, and equipment. Personal services of roughly \$464,300 were about 12.8 percent of expenses, with operating expenses of roughly \$2,891,100 or nearly 79.8 percent of expenses and equipment making up the remaining \$267,600 or 7.4 percent of expenses. Operating expenses are comprised primarily of postage and equipment repair and maintenance.

Postage expense for mail services operations has increased over the years due to U.S. Postal Service rate increases. Historically, agency mailings have remained fairly consistent and the executive projects no significant change in volume. Major areas where expenses cannot be predicted with relative certainty are unscheduled repair or replacement of equipment that may fail without prior warning.

Rate Explanation

For the 2005 biennium, the legislature approved a rate for the inter-agency (deadhead) mail portion of the Mail Services Bureau, defined as the total amount allocated to agencies in fixed costs for messenger services in agency budgets (\$134,012 per year). For the remaining portions of the Mail Services Bureau operations, the legislature approved allowing the program flexibility to change rates as needed, but limited the program from charging postage rates that collect more than 60 days of working capital.

By approving the rates for the Mail Services Bureau, the legislature concurred with the following present law adjustments for Mail Services Bureau that increased funding by \$45,123 for the 2005 biennium:

- A net increase totaling \$18,123 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- An increase of \$27,000 for the biennium for overtime

Print Services Section (Fund 06530)

Program Description

The Print Services Section provides printing, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, reprographics, binding and quick copy, and photocopier pools services for state agencies. The Print Services Section has three basic components: 1) internal printing; 2) external (contracted) printing; and 3) photocopy pool. Customers include all agencies and units within state government. Use of the photocopy pool is optional. A state agency may buy its own copier through the State Procurement Bureau. All printing or purchasing of printing is requested through print services, which determines the most cost effective method of project completion. Not all requests for printing are completed internally. Nearly 65 percent of printing expenditures are procured through commercial vendors.

Revenues and Expenses

The Print Services Section provides all services as presented in the program description. According to the department, the

three basic service categories provide revenues for the operations of the program in the following percentages:

- Internal printing, which charges user agencies for graphic design and layout, desktop publishing, reprographics, duplicating, bindery, and quick copy - 27 percent of print services revenue
- External printing - 56 percent of revenue
- Photocopy pool - 17 percent of revenue

In fiscal 2002, print services had revenues of roughly \$5.2 million from fees paid by agencies statewide. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (24.3 percent), \$1,270,800
- State special revenue (36.7 percent), \$1,916,500
- Federal special revenue (22.7 percent), \$1,188,300
- Proprietary funds (9.5 percent), \$496,900
- All other funds (6.8 percent), \$354,400

In fiscal 2002, revenues funded personal services for 25.94 FTE, operating costs, and equipment. Personal services of \$750,600 were roughly 13.9 percent of expenses, with most of the remaining costs made up with operating costs of \$4,595,100 or 85.5 percent of expenses.

Major internal printing costs, excluding personal services, are for direct materials used in production, such as paper and ink, equipment repair and maintenance, and equipment replacement. Historical demand by agencies for printing services has remained fairly consistent with higher demand cycles when the legislature is in session. There are no changes or significant growth expected in the demand pattern. Unscheduled equipment repair or replacement provided the greatest amount of uncertainty to forecasting costs for internal printing.

For external printing, the major expenses are pass-through costs of commercial print vendors. These costs have historically remained fairly consistent, but vary depending upon complexity and quantity of agency print projects.

Major expenses for the photocopy pool are pass-through photocopy costs, such as payments made to contracted vendors and personnel services.

Overhead costs for administration, accounting, and supplies are allocated to the three print services programs based on FTE.

Rate Explanation

For the 2005 biennium, the legislature approve allowing the program the flexibility to change rates provided the working capital of the print services bureau fund does not exceed 60 days.

By approving this rate the legislature concurred in the following present law adjustments and new proposals that total roughly \$630,000 for the 2005 biennium:

- A net increase totaling \$7,399 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- An increase of \$48,000 for the biennium for overtime
- An increase of \$481,488 for the biennium for materials directly used in printing
- A reduction of \$90,738 for the biennium to remove costs from the base associated with a completed installment purchase of equipment
- An increase of \$184,010 for the biennium for equipment purchases

Central Stores Program (Fund 06531)**Program Description**

The Central Stores Program develops standard specifications, procures, warehouses, and delivers commonly used items to all state agencies and participating local governments. Customers include all agencies and units within state government and participating local governments. State agencies account for 94.1 percent and local governments for 5.9 percent of revenue.

Section 18-4-302(3), MCA, mandates state agencies to use central stores unless the publicly advertised price of an alternate supplier, established catalog price, or discount price offered to the agency is less than the price offered by the stores program if the office supply conforms in all material respects to the terms, conditions and quality offered by the stores program.

Revenues and Expenses

In fiscal 2002, Central Stores had revenues of \$4.9 million from purchases by state agencies and local governments. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (39.2 percent), \$1,905,100
- State special revenue (24.2 percent), \$1,179,200
- Federal special revenue (15.4 percent), \$750,400
- Proprietary funds (11.0 percent), \$532,700
- All other funds (10.2 percent), \$496,900

In fiscal 2002, revenues funded personal services for 9.65 FTE, operating costs, and equipment. Personal services of \$352,300 were roughly 7.7 percent of expenses, equipment was \$18,000 or 0.4 percent of expenses, and operating costs made up the remaining \$4.2 million or 91.9 percent of central stores expenses. Goods purchased for resale comprised 88.0 percent of central stores expenses in fiscal 2002.

Rate Explanation

For the 2005 biennium, the legislature approved allowing the program flexibility to change rates as needed provided the fund working capital does not exceed 60 days.

By approving this rate, the legislature concurred in the present law adjustments that total \$13,208 for the biennium and are for fixed cost changes and establishing an indirect cost pool with centralized functions of the department.

State Procurement Card Program (Fund 06571)**Program Description**

The State Procurement Card Program administers the state procurement contract for the automated processing of small purchases.

Revenues and Expenses

Procurement card revenues from fees paid by customers were \$8,988 in fiscal 2002. Because agencies record expenditures for fees paid to the State Procurement Card Program using the same expenditure account as other maintenance contract costs, the funding of agency payments is not able to be determined. The program also receives volume discounts rebates from vendors due to the aggregation of purchases through the program. In fiscal 2002, program expenses totaled \$8,135 and were comprised entirely of operating costs.

Rate Explanation

The legislature approved an administrative fee rate of \$1.00 per card per month as the rate for the 2005 biennium for the State Procurement Card Program.

By approving this rate, the legislature concurred in a present law adjustment for an increase of \$34,300 for the biennium

for operating cost increases for:

- Programming changes to make the software that is used to track charges made with procurement cards more compatible with the state accounting system
- Replacement of one computer
- Travel and user education
- Increased fees for secure storage of system data on Information Technology Services Division computer storage devices

Surplus Property Program (Fund 06066)

Program Description

The Property & Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by agencies. The Federal Surplus program acquires surplus property from federal agencies. This property is distributed to state agencies or other eligible organizations. The surplus property programs provide a mechanism to transfer surplus property between agencies and extend the life of state property. The program provides accountability in the disposal of surplus state property, provides agencies with surplus equipment pick up services, and provides a screening service to locate federal surplus property for state agencies and local governments.

Revenues and Expenses

The state surplus property programs receive revenues from charging a handling fee applied to the proceeds from the sale of state property. The federal surplus property program receives revenue in accordance with a federal plan of operations approved by the federal General Services Administration. In fiscal 2002, the program had operating revenues from combined federal and state handling fees of \$295,400. This is compared with expenses of nearly \$1.4 million, of which \$0.9 million was attributed to a non-cash accounting adjustment for inventory that adjusted the book value of inventory to match physical inventory. This adjustment did not occur in either fiscal year 2000 or 2001 and is not a regularly recurring expense item. The major expenses associated with the Surplus Property Program are personal services and freight to get federal property to the surplus warehouse. The program has 7.50 FTE funded through user fees. There are no projected significant changes in service volume.

Rate Explanation

Since the Property & Supply Bureau operates with funding from an enterprise fund, the legislature does not approve fees and charges of the bureau.

Statewide Fueling Network Program (Fund 06561)

Program Description

The Statewide Fueling Network Program provides for fueling of public vehicles through an integrated commercial and public fueling network. The program automates the accounting and transaction processing functions associated with vehicle fueling, maintains agency tax-exempt status for transactions anywhere on the network, and provides monthly comprehensive fuel management reports that fleet managers can use to track and control fuel costs. Customers include state government agencies and local government entities.

Revenues and Expenses

In fiscal 2002, the State Fueling Network Program had revenues of \$24,019 from an administration fee charged on fuel purchased through the network. These revenues were received from the following funding sources in the percentages and amounts listed:

- General fund (8.9 percent), \$2,141
- State special revenue (19.0 percent), \$4,564
- Federal special revenue (3.1 percent), \$734
- Proprietary funds (60.1 percent), \$14,446
- All other funds (8.9 percent), \$2,135

In fiscal 2002, revenues funded only operating costs of \$23,554 primarily for supplies, communications, and travel expenses. Personal services costs for 1.00 FTE that administered the program were funded with a general fund appropriation.

Rate Explanation

The legislature approved allowing the program flexibility to adjust fees for the Statewide Fueling Network Program provided the working capital in the fund remains below a level of 45 days.

When it approved the 45-day working capital rate, the legislature concurred in moving \$64,527 funding for the biennium from general fund to the proprietary fund to move 0.60 FTE to funding by the state fueling network proprietary fund.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	2.00	0.00	3.00	5.00	0.00	3.00	5.00	5.00
Personal Services	93,940	14,425	354,957	463,322	14,100	5,897	113,937	577,259
Operating Expenses	497,212	21,709	1,926,929	2,445,850	18,722	31,386	547,320	2,993,170
Grants	0	0	0	0	0	0	0	0
Total Costs	\$591,152	\$36,134	\$2,281,886	\$2,909,172	\$32,822	\$37,283	\$661,257	\$3,570,429
General Fund	127,808	29,061	1,393	158,262	26,623	2,930	157,361	315,623
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	463,344	7,073	2,280,493	2,750,910	6,199	34,353	503,896	3,254,806
Total Funds	\$591,152	\$36,134	\$2,281,886	\$2,909,172	\$32,822	\$37,283	\$661,257	\$3,570,429

Program Description

Information Technology Services Division (ITSD) is a proprietary program that manages central computing and telecommunications services for state government. ITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet used by all agencies throughout the state. ITSD provides local and long-distance telephone network services used by all agencies, including the university system, and manages the state's video network METNET. ITSD coordinates electronic government services for the state, and manages the state's Internet presence at the Internet address discoveringmontana.com. ITSD also manages the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) for the state.

Through the office of the Chief Information Officer, the division develops the Statewide Strategic IT Plan, coordinates information technology for the state, and reviews and approves equipment and software acquisitions. The division also provides statewide information technology training, and supports consulting services contracts used by agencies in support of IT systems.

The division also coordinates Geographic Information Systems (GIS) development, manages the state's 911 programs, and coordinates Public Safety Communications issues.

Program Narrative

Department of Administration Information Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals add \$2.4 million of total funds for the two years of the biennium with a base of \$591,152 ?? Funding for public safety communications systems planning including an additional 3.00 FTE per year adds \$2.3 million federal special revenue for the biennium ○ Most expenditures are funded through off-budget proprietary funds ○ The legislature approved a proprietary rate of \$72.60 per connection per month for the desktop rate, but allowed the division to adjust all other rates as long as working capital does not exceed 45-days ○ Proprietary rates will support the addition of 1.00 FTE to assist in agency project management for IT projects and to develop an IT project management program for the state 	

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
Information Tech Serv Division						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 127,808	21.6%	\$ 158,262	5.4%	\$ 157,361	23.8%
03428 Blm Gis Funding	463,344	78.4%	500,000	17.2%	500,000	75.6%
03796 Public Safety Radio	-	-	2,250,910	77.4%	3,896	0.6%
Grand Total	<u>\$ 591,152</u>	<u>100.0%</u>	<u>\$ 2,909,172</u>	<u>100.0%</u>	<u>\$ 661,257</u>	<u>100.0%</u>

Funding for the division is provided primarily with a proprietary fund that is not shown on the main budget tables but is discussed in the Proprietary Rates section that follows the discussion of budget program activity. The HB 2 budgeted portion of the division is funded with general fund and federal special revenue. The division receives general fund to operate the Statewide 911 Emergency Telephone System. Federal special revenue funds GIS coordination work within the division; public safety communications system planning; and efforts to build, maintain, and distribute a statewide transportation database.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				18,940					18,602
Vacancy Savings				(4,515)					(4,502)
Inflation/Deflation				197					269
Fixed Costs				20,076					17,014
Total Statewide Present Law Adjustments				\$34,698					\$31,383
DP 707 - Allocation of Indirect/Administrative Costs									
0.00	1,436	0	0	1,436	0.00	1,439	0	0	1,439
Total Other Present Law Adjustments									
0.00	\$1,436	\$0	\$0	\$1,436	0.00	\$1,439	\$0	\$0	\$1,439
Grand Total All Present Law Adjustments				\$36,134					\$32,822

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 707 - Allocation of Indirect/Administrative Costs - The legislature approved an increase of \$2,875 for the biennium for increases in department indirect and administrative costs for services received from other centralized service functions of the agency.

New Proposals										
Fiscal 2004						Fiscal 2005				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 317 - Indirect Cost Allocation - HB 2										
07	0.00	929	0	0	929	0.00	929	0	0	929
DP 701 - Public Safety Communications (Biennial)										
07	3.00	0	0	2,250,000	2,250,000	3.00	0	0	0	0
DP 709 - Statewide Roadway Centerline GIS - HB 2										
07	0.00	0	0	29,583	29,583	0.00	0	0	30,457	30,457
DP 6800 - HB 13 - Pay Plan										
07	0.00	464	0	910	1,374	0.00	2,001	0	3,896	5,897
Total	3.00	\$1,393	\$0	\$2,280,493	\$2,281,886*	3.00	\$2,930	\$0	\$34,353	\$37,283*

New Proposals

DP 317 - Indirect Cost Allocation - HB 2 - The legislature approved an increase of \$1,858 general fund for the biennium to provide indirect cost payments for a new indirect cost pool formed from portions of the Director's Office and the Management Support Bureau that would provide centralized service functions for divisions of the department.

DP 701 - Public Safety Communications (Biennial) - The legislature approved an increase of \$2.25 million federal special revenue for the biennium for public safety communications systems planning. The funding will be used to add 3.00 FTE and to develop standards to implement interoperable public safety communications systems used by state, local, and federal entities in Montana. Funding will also be used to move toward integrating radio, 9-1-1, and GIS technologies for improved emergency response for the public. The legislature designated funding for this function as a biennial appropriation and restricted its use only for the approved purpose.

DP 709 - Statewide Roadway Centerline GIS - HB 2 - The legislature approved an increase of \$60,040 federal special revenue for the biennium to build, maintain, and distribute a statewide, standardized, addressed, digital transportation database. The legislature designated the appropriation for this adjustment as one time only.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Proprietary Rates

Program Description

The Information Technology Services Division (ITSD) manages the following information technology (IT) services for state government:

- Shared statewide desktop and data network services
- Central mainframe computer processing
- Mid-tier access and production services
- Local and long-distance telephone networking
- IT planning, research, and coordination
- Design, development, and maintenance support of IT applications
- Personal computer (PC) and office automation support and consultation
- Design and development of telephone equipment, networking applications, and other telecommunication needs
- Internet and intranet services
- Electronic government planning and coordination
- Central imaging

- Geographic information systems (GIS) coordination
- Disaster recovery facilities for critical data processing applications
- IT training

ITSD also manages the State Accounting, Budgeting, and Human Resource System (SABHRS) operational support unit, which is responsible for the operation and maintenance of the state budget development system (MBARS), and the PeopleSoft human resource, financial, and asset management systems.

ITSD services are enterprise and statewide in nature, and therefore agencies are required by state law to use these services. If exceptional conditions exist, agencies may be granted exceptions to meet specific agency needs. All services are offered and provided to all state and local agencies.

Funding for the ITSD is primarily from charges to state agencies for mainframe and mid-tier computer processing, desktop services, and state telephone support services as well as direct charges to state agencies and other entities. In order to coordinate state communication functions, the division also receives a significant amount of "pass-through" funds paid on behalf of state agencies to communication vendors.

ITSD costs are based on predicted utilization and projects planned in all service categories. ITSD will fund 178.50 FTE in the 2005 biennium from the revenues generated in all areas.

Revenues and Expenses

In fiscal 2002, ITSD had revenues of \$29.9 million from fees paid by agencies statewide. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (34.2 percent), \$10.2 million
- State special revenue (23.0 percent), \$6.9 million
- Federal special revenue (22.2 percent), \$6.6 million
- Proprietary funds (8.2 percent), \$2.5 million
- All other funds (12.4 percent), \$3.7 million

In fiscal 2002, revenues funded personal services for 177.5 FTE and operating costs. Personal services of \$9.4 million were 31.8 percent of expenses, with operating costs making up an additional \$20.0 million or 68.2 percent of expenses. As such, personal services are a fixed cost driver for the division operations. Other major service areas of the division have additional cost components that have large impacts on their operating costs. These significant cost drivers are listed below for the major service areas of ITSD:

- Desktop services rate - communications and software costs
- SABHRS administration - contracted services and software expenses
- Mainframe processing - software, supplies, depreciation, and debt service interest
- Telephone equipment and long-distance - communication and maintenance

Responses from a data connection survey requested from each agency are used to determine the utilization rate used in the rate development. When these projections are not met by the agency, ITSD under recovers its costs and would either recover more from other service categories or reduce expenditures by reducing services provided for all.

SABHRS utilization is currently not tracked and based on projected expenses. Based on past trends and agency input, mainframe processing is expecting an approximate 2 percent decrease over the 2005 biennium.

Telephone equipment utilization is projected from base year volume. Long-distance utilization is anticipated to decrease by approximately 30 percent from projected fiscal 2003 levels due primarily to university system student long-distance no longer participating with this program and increased use of cell phones and phone cards.

Variations in expense patterns result from software purchase expenses and equipment depreciation expenses. Software purchase expenses are high in the initial purchase year and then only include fixed maintenance costs for subsequent

years. Equipment depreciation expenses vary when decreases of depreciation costs for existing equipment with expiring depreciation cycles differ from depreciation costs on new equipment.

Rate Explanation

The legislature approved rates for ITSD for the 2005 biennium as follows:

Information Technology Services Division may continue to charge various rates in order to maintain no more than a 45-day working capital balance in its fund, except that the desktop rate may not exceed \$72.60 per connection per month or the amount that was budgeted in an agency budget, whichever is more.

By approving this rate, the legislature concurred in the following present law adjustments and new proposals for ITSD that totaled \$2.3 million for the 2005 biennium:

- A net increase totaling \$521,281 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- An increase of \$654,822 for the biennium for increases in communication expenses, software and equipment maintenance expenses, and debt service
- A reduction of \$232,867 for the biennium to eliminate funding for 3.00 FTE. The positions associated with this reduction are no longer active
- An increase of \$106,190 for the biennium to add funding for 1.00 FTE computer security specialist to handle increased workloads related to state computer system virus protection
- An increase of \$105,865 for the biennium to add funding for 1.00 FTE training coordinator to help coordinate technology training for ITSD and state agencies; identify and acquire appropriate forms of training such as manuals, computer-based training resources, web-based training, and instructor-led training; provide information and support to agencies regarding applicable training for their employees to progress through a career ladder; manage all training contracts; create and design marketing materials, promotional materials, and other items for customer relations purposes; coordinate the development, printing and/or online publishing of documents for the division; and provide design options and input into the user interface of the state intranet applications
- An increase of \$630,503 for the biennium to add 1.00 FTE IT and business systems analyst to provide support and staff assistance in agency project management for IT projects and to develop an IT project management program for the state
- An increase of \$518,449 for the biennium to add 1.00 FTE transportation data coordinator and operating costs to build, maintain, and distribute a statewide, standardized, addressed, digital transportation database

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	24.25	0.00	6.00	30.25	0.00	7.50	31.75	31.75
Personal Services	1,042,064	332,264	249,423	1,623,751	330,802	337,219	1,710,085	3,333,836
Operating Expenses	458,121	81,227	74,086	613,434	114,938	84,296	657,355	1,270,789
Equipment	0	0	8,492	8,492	0	0	0	8,492
Total Costs	\$1,500,185	\$413,491	\$332,001	\$2,245,677	\$445,740	\$421,515	\$2,367,440	\$4,613,117
State/Other Special	1,500,185	413,491	332,001	2,245,677	445,740	421,515	2,367,440	4,613,117
Total Funds	\$1,500,185	\$413,491	\$332,001	\$2,245,677	\$445,740	\$421,515	\$2,367,440	\$4,613,117

Program Description

The Banking and Financial Institutions Division licenses, supervises, regulates, and examines a variety of financial institutions operating in Montana such as:

- State-chartered banks, trust companies, savings and loans, and credit unions
- Consumer loan and sales finance companies
- Escrow companies
- Foreign capital depositories in accordance with Title 32, MCA
- Deferred deposit loan companies

The purpose of the supervisory function is to investigate the methods of operation in order to determine whether these institutions are operating in a safe and sound fiscal manner. Supervision of regulated financial business is accomplished through on-site safety and soundness examinations conducted by division examiners. The division also provides a consumer complaint process to resolve matters with the regulated financial institutions.

The State Banking Board is administratively attached to the division. The board is responsible for making final determinations of applications for new bank charters and foreign capital depository charters; hearing appeals of division decisions on branch bank, merger, or relocation applications; and acting in an advisory capacity with respect to the duties and powers given by statute or otherwise to the department as the duties and powers relate to banking and to the regulation of foreign capital depositories.

Program Narrative

Department of Administration Banking and Financial Institutions Division Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals add \$1.6 million state special revenue funds for the two years of the biennium with a base of \$1.5 million ○ Funding for financial institution examiner career ladder pay adds \$278,000 ○ Funding for increased rent costs of the Helena office adds \$160,644 ○ Funding for an additional 6.00 FTE in fiscal 2004 and 7.50 FTE in fiscal 2005 along with operating costs adds \$658,434 	

Funding

The division is funded solely by state special revenue through assessments, application fees, and examination fees paid by the regulated financial institutions.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				244,734						243,212
Vacancy Savings				(51,470)						(51,410)
Inflation/Deflation				1,626						2,653
Fixed Costs				20,046						21,409
Total Statewide Present Law Adjustments				\$214,936						\$215,864
DP 1401 - Indirect Administrative Costs	0.00	0	(40,513)	0	(40,513)	0.00	0	(40,514)	0	(40,514)
DP 1402 - Financial Institution Examiner Career Ladder	0.00	0	139,000	0	139,000	0.00	0	139,000	0	139,000
DP 1403 - Rent Increase for the Helena Office	0.00	0	79,392	0	79,392	0.00	0	81,252	0	81,252
DP 1405 - Fund Accreditation Review of the Division	0.00	0	0	0	0	0.00	0	28,000	0	28,000
DP 1406 - Lease Motor Pool Vehicles	0.00	0	20,676	0	20,676	0.00	0	22,138	0	22,138
Total Other Present Law Adjustments	0.00	\$0	\$198,555	\$0	\$198,555	0.00	\$0	\$229,876	\$0	\$229,876
Grand Total All Present Law Adjustments				\$413,491						\$445,740

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1401 - Indirect Administrative Costs - The legislature approved a reduction of \$81,027 state special revenue for the biennium for indirect and administrative costs paid for services received from other proprietary funded centralized service functions of the agency.

DP 1402 - Financial Institution Examiner Career Ladder - The legislature approved an increase of \$278,000 state special revenue for the biennium to fund broadband pay plan increases to move financial institution examination personnel further along a professional financial institution examiner career ladder plan.

DP 1403 - Rent Increase for the Helena Office - The legislature approved an increase of \$160,644 state special revenue for the biennium to pay for increased rent costs for office space in the old federal building in Helena.

DP 1405 - Fund Accreditation Review of the Division - The legislature approved an increase of \$28,000 state special revenue in fiscal 2005 to fund an accreditation assessment performed by the Conference of State Bank Supervisors. Funding will be used to pay for accreditation team expenses during their on-site assessment of the division, preparation of the report of findings and recommendation, and costs of the meeting of the accreditation committee.

DP 1406 - Lease Motor Pool Vehicles - The legislature approved an increase of \$42,814 state special revenue for the biennium to lease four additional passenger vehicles from the State Motor Pool beginning in fiscal 2004.

New Proposals											
Program	FTE	Fiscal 2004				Fiscal 2005					Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 317 - Indirect Cost Allocation - HB 2											
14	0.00	0	22,078	0	22,078	0.00	0	22,101	0	22,101	
DP 1404 - Restore OTO from '03 Biennium - 1.50 FTE											
14	1.50	0	66,925	0	66,925	1.50	0	66,782	0	66,782	
DP 1407 - 4.00 FTE Bank Examiners											
14	4.00	0	198,384	0	198,384	4.00	0	197,603	0	197,603	
DP 1408 - SB 402 - Montana Mortgage Broker and Loan Act											
14	0.50	0	35,211	0	35,211	2.00	0	93,529	0	93,529	
DP 6800 - HB 13 - Pay Plan											
14	0.00	0	9,403	0	9,403	0.00	0	41,500	0	41,500	
Total	6.00	\$0	\$332,001	\$0	\$332,001*	7.50	\$0	\$421,515	\$0	\$421,515*	

New Proposals

DP 317 - Indirect Cost Allocation - HB 2 - The legislature approved an increase of nearly \$44,179 state special revenue for the biennium to provide indirect cost payments for a new indirect cost pool formed from portions of the Director's Office and the Management Support Bureau that provide centralized service functions for divisions of the department.

DP 1404 - Restore OTO from '03 Biennium - 1.50 FTE - The legislature approved an increase of \$133,707 state special revenue for the biennium to fund the addition of 1.50 FTE bank examiners.

DP 1407 - 4.00 FTE Bank Examiners - The legislature approved an increase of \$395,987 state special revenue for the biennium for funding to add 4.00 FTE bank examiners and associated operating costs to address workload increases and for operating costs to purchase office equipment and to pay rent and travel costs for the new staff.

DP 1408 - SB 402 - Montana Mortgage Broker and Loan Act - The legislature increased state special revenue funding to add 0.50 FTE in fiscal 2004 and 2.00 FTE in fiscal 2005 along with increased operating expenses and equipment costs for the Montana Mortgage Broker and Loan Originator Licensing Act.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	31.50	0.00	0.00	31.50	0.00	0.00	31.50	31.50
Personal Services	1,265,659	57,085	10,009	1,332,753	56,466	42,493	1,364,618	2,697,371
Operating Expenses	4,947,142	899,351	185,728	6,032,221	951,319	25,715	5,924,176	11,956,397
Equipment	462,735	(414,000)	0	48,735	(414,000)	0	48,735	97,470
Debt Service	1,145,577	0	0	1,145,577	(1,145,577)	0	0	1,145,577
Total Costs	\$7,821,113	\$542,436	\$195,737	\$8,559,286	(\$551,792)	\$68,208	\$7,337,529	\$15,896,815
Proprietary	7,821,113	542,436	195,737	8,559,286	(551,792)	68,208	7,337,529	15,896,815
Total Funds	\$7,821,113	\$542,436	\$195,737	\$8,559,286	(\$551,792)	\$68,208	\$7,337,529	\$15,896,815

Program Description

The Montana State Lottery designs and markets lottery games that allow players to purchase chances to win prizes. The lottery presently offers a variety of instant/scratch and lotto-style games, some in cooperation with other lotteries through the Multi-State Lottery Association. A five-member lottery commission, appointed by the Governor, sets policy and oversees program activities and procedures. The net revenue, after prizes, sales commissions, and operating expenses, is deposited in the state general fund on a quarterly basis.

Program Narrative

Department of Administration Montana State Lottery Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals add \$254,589 of lottery proprietary funds for the two years of the biennium with a base of \$7.8 million ○ Funding for lottery product supplies and increased vendor costs adds \$920,883 ○ One-time funding for a consultant study of on-line gaming system lifecycle issues adds \$160,000 ○ The lottery was directed to provide a report to the legislature that documents the return on investment of each lottery game offered during the 2005 biennium and the anticipated return on investment for each lottery game planned for the 2007 biennium 	

Funding

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				110,897					110,255	
Vacancy Savings				(55,062)					(55,039)	
Inflation/Deflation				3,848					4,456	
Fixed Costs				67,784					(8,441)	
Total Statewide Present Law Adjustments				\$127,467					\$51,231	
DP 1501 - Indirect Fixed Costs										
0.00	0	0	0	(42,327)*	0.00	0	0	0	(42,285)*	
DP 1502 - Per Diem for Lottery Commissioners										
0.00	0	0	0	1,250*	0.00	0	0	0	1,250*	
DP 1503 - Transfer funds from Equip. to Goods Purch Resale										
0.00	0	0	0	0	0.00	0	0	0	0	
DP 1504 - Eliminate Debt Service Expense for FY 05										
0.00	0	0	0	0	0.00	0	0	0	(1,145,577)*	
DP 1505 - Product Costs Increase										
0.00	0	0	0	391,326*	0.00	0	0	0	529,557*	
DP 1506 - Increase Base for Rent										
0.00	0	0	0	6,920*	0.00	0	0	0	8,232*	
DP 1507 - Equipment replacement										
0.00	0	0	0	22,800*	0.00	0	0	0	10,800*	
DP 1509 - Retailer Support										
0.00	0	0	0	35,000*	0.00	0	0	0	35,000*	
Total Other Present Law Adjustments										
0.00	\$0	\$0	\$0	\$414,969*	0.00	\$0	\$0	\$0	(\$603,023)*	
Grand Total All Present Law Adjustments				\$542,436*					(\$551,792)*	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1501 - Indirect Fixed Costs - The legislature approved a reduction of \$84,612 lottery proprietary funds for the biennium for indirect and administrative costs paid for services received from other proprietary funded centralized service functions of the agency.

DP 1502 - Per Diem for Lottery Commissioners - The legislature approved an increase of \$2,500 lottery proprietary funds for the biennium to fund per diem for lottery commissioners.

DP 1503 - Transfer funds from Equip. to Goods Purch Resale - The legislature approved an adjustment with no fiscal impact to move \$828,000 funding for the biennium from the equipment expense category to operating expenses to purchase inventories of instant tickets.

DP 1504 - Eliminate Debt Service Expense for FY 05 - The legislature approved a reduction of \$1,145,577 lottery proprietary fund in fiscal 2005 to remove budget authority included in the base for debt service payments that would no longer be needed after fiscal 2004.

DP 1505 - Product Costs Increase - The legislature approved an increase in product costs of \$920,883 lottery proprietary fund for the biennium to: 1) purchase supplies of instant lottery tickets and 2) pay increased contract costs to the vendor who operates the lottery's computerized terminal system.

DP 1506 - Increase Base for Rent - The legislature approved an increase of \$15,152 in lottery proprietary funds for the biennium for increased rent costs for the lottery office and warehouse space.

DP 1507 - Equipment replacement - The legislature approved an increase of \$33,600 in lottery proprietary funds for the biennium to replace or update computer equipment, printers, the on-line gaming system, and software.

DP 1509 - Retailer Support - The legislature approved an increase of \$70,000 in lottery proprietary funds for the biennium to purchase additional customer display units, point of sale posters and advertisements, and play stations that hold information and play slips for lotto games for use at lottery retail outlets.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 317 - Indirect Cost Allocation-HB2										
15	0.00	0	0	0	25,728*	0.00	0	0	0	25,715*
DP 1508 - Professional Service Contracts (Rstrcted/Bien/OTO)										
15	0.00	0	0	0	160,000*	0.00	0	0	0	0
DP 6800 - HB 13 - Pay Plan										
15	0.00	0	0	0	10,009*	0.00	0	0	0	42,493*
Total	0.00	\$0	\$0	\$0	\$195,737*	0.00	\$0	\$0	\$0	\$68,208*

New Proposals

DP 317 - Indirect Cost Allocation-HB2 - The legislature approved an increase of \$51,443 lottery proprietary fund for the biennium to provide indirect cost payments for a new indirect cost pool formed from portions of the Director's Office and the Management Support Bureau that provide centralized service functions for divisions of the department.

DP 1508 - Professional Service Contracts (Rstrcted/Bien/OTO) - The legislature approved an increase of \$160,000 lottery proprietary fund for fiscal 2004 to hire a consultant to analyze the current on-line gaming system for performance, life expectancy, and maintenance costs. The consultant would also be tasked to determine the availability of replacement systems and the advantages or disadvantages of replacing the system when the seven-year, operating contract with an outside vendor expires in March 2006. The legislature designated the appropriation for this request as biennial, one-time-only, and restricted it only for the purposes stated.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Language

"The Montana state lottery shall present a report to the joint appropriations subcommittee on general government and transportation of the 59th legislature that documents the return on investment of each lottery game offered during the 2005 biennium and the anticipated return on investment for each lottery game planned for the 2007 biennium. For each lottery game, the report must itemize direct and indirect costs and revenue."

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	21.66	0.00	(1.13)	20.53	0.00	(1.13)	20.53	20.53
Personal Services	909,750	115,194	(40,104)	984,840	114,374	(23,850)	1,000,274	1,985,114
Operating Expenses	244,733	1,786	8,246	254,765	4,400	8,242	257,375	512,140
Total Costs	\$1,154,483	\$116,980	(\$31,858)	\$1,239,605	\$118,774	(\$15,608)	\$1,257,649	\$2,497,254
General Fund	1,127,130	116,980	(32,048)	1,212,062	118,774	(15,798)	1,230,106	2,442,168
State/Other Special	27,353	0	190	27,543	0	190	27,543	55,086
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$1,154,483	\$116,980	(\$31,858)	\$1,239,605	\$118,774	(\$15,608)	\$1,257,649	\$2,497,254

Program Description

The State Personnel Division provides state agencies with a comprehensive program of human resource management programs including training, position classification and pay, collective bargaining, employee relations, and assistance with compliance with state and federal employment law. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other personnel matters. The division administers benefits plans including health, life, long-term care, dental, and vision insurance, flexible spending accounts, a sick leave fund, employee incentive awards, health promotion, and a voluntary employee benefit health care expense trust. In addition, the division administers a lease and contract to provide day care services for Helena area state employees. The division also prepares, maintains, and distributes payroll for all state employees.

Program Narrative

<p>Department of Administration State Personnel Division Major Budget Highlights</p>
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals add \$188,288 of total funds for the two years of the biennium with a base of \$1.2 million, primarily through statewide present law adjustments ○ Elimination of vacant 1.13 FTE provided a reduction of \$89,877 general fund for the biennium ○ A significant portion of the program is funded with off-budget proprietary funds ○ The legislature directed the department to provide a business plan for the training program as part of the 2007 biennium budget request ○ The legislature approved a new proprietary funded program to consolidate state position vacancy advertisements

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
State Personnel Division						
<u>Program Funding</u>	<u>Base Fiscal 2002</u>	<u>% of Base Fiscal 2002</u>	<u>Budget Fiscal 2004</u>	<u>% of Budget Fiscal 2004</u>	<u>Budget Fiscal 2005</u>	<u>% of Budget Fiscal 2005</u>
01100 General Fund	\$ 1,127,130	97.6%	\$ 1,212,062	97.8%	\$ 1,230,106	97.8%
02518 State Daycare Program	27,353	2.4%	27,543	2.2%	27,543	2.2%
Grand Total	\$ 1,154,483	100.0%	\$ 1,239,605	100.0%	\$ 1,257,649	100.0%

Funding for general personnel administration functions is from the general fund. The Employee Benefits Bureau is funded from the investment earnings of the state employees benefits fund. The Employee Benefits Bureau also receives a minor general fund appropriation for administration of the employee incentive program and sick leave administration. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. The State Payroll Unit is funded with proprietary fees charged to state agencies for payroll processing services. The proprietary funded portions of the division are not shown on the main budget tables, but are discussed in the Proprietary Rates at the end of the section for the division.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				157,900					157,046
Vacancy Savings				(42,706)					(42,672)
Inflation/Deflation				1,748					1,939
Fixed Costs				2,992					5,446
Total Statewide Present Law Adjustments				\$119,934					\$121,759
DP 2307 - Indirect Cost Allocation - HB0002									
0.00	(2,954)	0	0	(2,954)	0.00	(2,985)	0	0	(2,985)
Total Other Present Law Adjustments									
0.00	(\$2,954)	\$0	\$0	(\$2,954)	0.00	(\$2,985)	\$0	\$0	(\$2,985)
Grand Total All Present Law Adjustments				\$116,980					\$118,774

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2307 - Indirect Cost Allocation - HB0002 - The legislature approved a reduction of \$5,939 general fund for the biennium for indirect and administrative costs paid for services received from other proprietary funded centralized service functions of the agency.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 317 - Indirect Cost Allocation-HB2										
23	0.00	8,056	190	0	8,246	0.00	8,052	190	0	8,242
DP 2306 - Eliminate 1.13 vacant FTE										
23	(1.13)	(45,005)	0	0	(45,005)	(1.13)	(44,872)	0	0	(44,872)
DP 6800 - HB 13 - Pay Plan										
23	0.00	4,901	0	0	4,901	0.00	21,022	0	0	21,022
Total	(1.13)	(\$32,048)	\$190	\$0	(\$31,858)*	(1.13)	(\$15,798)	\$190	\$0	(\$15,608)*

New Proposals

DP 317 - Indirect Cost Allocation-HB2 - The legislature approved increases of \$16,108 general fund and \$380 state special revenue for the biennium to provide indirect cost payments for a new indirect cost pool formed from portions of the Director's Office and the Management Support Bureau that provide centralized service functions for divisions of the department.

DP 2306 - Eliminate 1.13 vacant FTE - The legislature approved a reduction of \$89,877 general fund for the biennium to remove funding for 1.13 FTE.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Proprietary Rates

Program Description

The State Personnel Division manages four proprietary programs: 1) the training program, also referred to as the Professional Development Center; 2) the employee benefits program, which includes the state's health and other benefit insurance plans; 3) the state payroll and benefits operations program; and 4) the flexible spending accounts program.

Training Program (Fund 06525)

Program Description

The Professional Development Center (PDC) provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. The use of PDC training is not mandatory for agencies that could choose from several available alternatives, such as seminars sponsored by national training firms, conferences and symposia, contracted training consultants, in-house training programs, and courses through post-secondary education institutions.

Revenues and Expenses

In fiscal 2002, the Professional Development Center had revenues of \$260,557 from fees paid by agencies statewide. The funding for customer payments to the PDC could not be determined because the accounting code used to record payments to the PDC for training is also used to record a variety of other training costs.

In fiscal 2002, revenues funded personal services for 3.08 FTE and operating costs. Personal services of \$151,136 were 51.5 percent of expenses, with operating costs making up the remaining \$142,316 or 48.5 percent of PDC expenses.

Rate Explanation

The legislature approved \$128.12 in fiscal 2004 and \$125.59 in fiscal 2005 as the rates the PDC may use as a basis to recover training course development and delivery costs.

By approving these rates for the PDC, the legislature concurred in the following present law adjustments and new proposals that result in reductions of expenses totaling \$72,579 for the 2005 biennium:

- A net increase totaling \$3,373 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- A reduction of \$80,778 for the biennium to eliminate the labor management training initiative that only applied to the 2003 biennium. This initiative coordinated labor relations training and skill development in order to enhance the long-term relationships between the state and participating unions
- An increase of \$4,826 for the biennium for indirect and administrative costs paid for services received from other proprietary funded centralized service functions of the agency

The legislature also directed the department to present a business plan to the General Government and Transportation Subcommittee during the next legislative session that contains detailed information of training offered by the program, along with market research and results of surveys of government customer groups that support the need for the course offerings and that compare the availability and cost between the PDC and other alternative providers of PDC course offerings.

Employee Benefits Program (Fund 06559)**Program Description**

The Employee Benefits Program is charged with providing state employees, retirees and their families with adequate medical, dental, life and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health and dental plan. Life and long-term care insurance are purchased from private sector vendors. The program contracts with private companies to provide claims processing services, health screening, managed care services, and an employee assistance program. The plan serves approximately 31,000 people.

Revenues and Expenses

In fiscal 2002, the Employee Benefit Program had revenues of roughly \$65.3 million from premiums paid by state agencies and employee contributions. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (26.5 percent), \$17.3 million
- State special revenue (22.1 percent), \$14.4 million
- Federal special revenue (11.1 percent), \$7.2 million
- Proprietary funds (6.1 percent), \$4.0 million
- All other funds (34.2 percent), \$22.4

In fiscal 2002, revenues funded personal services for 12.39 FTE and operating costs. Personal services of \$0.5 million were 0.6 percent of expenses, operating costs were \$2.7 million or 3.5 percent of expenses, and benefits payments made up the remaining \$73.8 million or 95.9 percent of program expenses.

The program maintains a substantial reserve to allow it to cover health claims against the self-insured plan. Insurance regulations require a certain reserve to be maintained in order to protect the well being of participants in the plan. In addition, the program maintains a reserve to cover its pending liability for claims that have been incurred but not reported at any point in time. The program monitors reserve levels closely with the assistance of its benefit consultant to ensure that the plan is complying with the insurance industry's standard practices and requirements.

Rate Explanation

The rates for the employee benefits program are approved separate from HB 2, in the state pay plan bill (HB 13) and are a subject of collective bargaining. The proposed rates -- the state contribution for employee insurance coverage - would add

\$44 on January 1, 2004, and an additional \$50 on January 1, 2005, per month per employee. The rates currently specified in HB 13 are \$410 per employee per month in fiscal 2004 and \$460 in fiscal 2005. For fiscal 2003, the state contribution to employee insurance coverage is \$366 per employee per month.

Payroll Processing (Fund 06563)

Program Description

The Payroll/Benefits Operations Bureau operates the statewide payroll, benefits, and human resources (HR) system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for more than 13,000 state employees in three branches of Montana state government. The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits, classification, pay, labor relations, policy, and training.

Revenues and Expenses

In fiscal 2002, the Payroll/Benefits Operations Bureau had revenues of roughly \$360,550 from payroll processing fees paid by state agencies. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (40.0 percent), \$144,250
- State special revenue (35.1 percent), \$126,400
- Federal special revenue (11.3 percent), \$40,700
- Proprietary funds (10.8 percent), \$39,100
- All other funds (2.8 percent), \$10,100

In fiscal 2002, revenues funded personal services for 6.00 FTE and operating costs. Personal services of \$248,106 were 65.9 percent of expenses, with operating costs making up the remaining \$128,592 or 34.1 percent of bureau expenses.

Rate Explanation

The legislature approved allocating the statewide payroll costs to agencies up to \$435,310 in fiscal 2004 and \$461,614 in fiscal 2005.

By approving these rates for payroll processing, the legislature concurred in the following present law adjustments and new proposals that increased totaling expenses by \$4,064 for the 2005 biennium:

- A net increase totaling \$5,285 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- A reduction of \$1,221 for the biennium for indirect and administrative costs paid for services received from other proprietary funded centralized service functions of the agency

State Recruitment Advertising (Fund 06590)

Program Description

The legislature approved adding a new program to consolidate state position vacancy advertisements. The program will gather position announcements from state agencies and prepare one advertisement for the state that summarizes the vacancies and directs potential applicants to the Montana Job Service Internet page for position details.

Revenues and Expenses

As this is a new program, there are no historical revenues or expenses to report. The executive anticipates spending a total of \$135,000 each year on newspaper advertisements in Montana's five major newspapers centered on the markets in Missoula, Butte, Great Falls, Helena, and Billings. The advertisements would be published each Sunday and would refer people to the state's Internet web site for detailed information related to each advertised position. The executive anticipates using existing resources to establish contracts with the newspapers and to assemble and transmit the ads to the newspapers. The executive estimates it would take roughly one hour per week to assemble and transmit the ads to the

newspapers. These costs would be funded with the general fund portion of the division budget.

Rate Explanation

The legislature approved allocating the costs of this program on the basis of FTE in each agency, and approved charging \$12 per FTE per year as the rate for fiscal years 2004 and 2005.

Program Description

The Risk Management and Tort Defense Division insures state agencies against risk of loss for property, vehicles, boilers, airports, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on various leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

Program Narrative

Department of Administration Risk Management and Tort Defense Major Budget Highlights	
○	Premiums charged for insurance increase by \$6.7 million or 84.1 percent in fiscal 2004 and \$7.4 million or 92.6 percent in fiscal 2005 from the fiscal 2002 level

Funding

The Risk Management and Tort Defense Division is funded entirely with proprietary funds financed with revenues from premium payments from state agencies.

Proprietary Rates

Program Description

The Risk Management and Tort Defense Division (RMTD) purchases catastrophic commercial property and casualty insurance to cover aviation and property losses that are above self-funded deductibles for state agencies, boards, councils, commissions, and the university system. Through in-house staff and contracted services, the division self-insures general liability, vehicle liability, professional liability, errors and omissions, inland marine, leased/loaned vehicles, and foster care exposures. The Department of Administration accumulates a self-insurance fund to pay for losses, purchase insurance, and fund operations.

The division provides risk management/safety training and consultative services to state agencies to prevent and/or minimize the adverse effects of physical or financial loss. The division also investigates, evaluates, and defends agencies, officers, and employees of the state in tort liability claims and coordinates the adjudication and settlement of claims involving damage to state property.

Revenues and Expenses

In fiscal 2002, the Risk Management and Tort Defense Division had revenues of roughly \$8.0 million from premiums paid by state agencies. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (17.6 percent), \$1.4 million
- State special revenue (18.8 percent), \$1.5 million
- Federal special revenue (4.3 percent), \$0.3 million
- Proprietary funds (13.8 percent), \$1.1 million
- All other funds (45.5 percent), \$3.7 million

In fiscal 2002, revenues funded personal services for 16.00 FTE, operating costs, and insurance claims. Personal services of \$659,000 were 3.7 percent of expenses, operating costs of \$3,985,000 were 22.7 percent of expenses, and insurance claims of \$12,934,000 made up the remaining 73.6 percent of division expenses.

Each fiscal year the division contracts with an actuarial consulting firm to project the state's estimated unpaid loss and loss adjustment expenses. The actuarial evaluation provides an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. Actuarial projections of unpaid losses as of June 30, 2002, are \$29.9 million. Actuarial projected future loss costs for fiscal years 2004 and 2005 determined the ultimate projected loss for those fiscal years to be \$10.1 million and \$10.8 million respectively. Since claims and lawsuits are filed at different times and are typically paid out over as many as 10 years, it is not probable that all claims would come due at once. However, recent projections indicate that the state's unfunded insurance liability is increasing.

Rate Explanation

The adjacent figure shows the rates approved by the legislature for the Risk Management and Tort Defense Division.

By approving these rates the legislature concurred in the following present law adjustments and new proposals for Risk Management and Tort Defense Division:

- A net increase totaling \$68,943 for the biennium associated with fixed cost changes and establishing an indirect cost pool with centralized functions of the department
- An increase of \$3,196,134 for the biennium for increased insurance and surety bond payments to commercial insurance carriers for excess coverage
- An increase of \$48,322 for the biennium for indirect and administrative costs paid for services received from other proprietary funded centralized service functions of the agency

Risk Management and Tort Defense Division Approved Rates - 2005 Biennium		
	Fiscal 2004	Fiscal 2005
General liability	\$ 10,566,132	\$ 11,205,485
Auto liability, comprehensive, and collision	1,072,901	1,084,370
Aviation	165,728	165,822
Property/Miscellaneous	2,965,254	2,997,090
Total Premiums	<u>\$ 14,770,015</u>	<u>\$ 15,452,767</u>

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	7.00	0.00	0.00	7.00	0.00	0.00	7.00	7.00
Personal Services	185,586	77,878	1,623	265,087	79,318	7,003	271,907	536,994
Operating Expenses	62,397	(3,869)	4,129	62,657	(2,828)	4,133	63,702	126,359
Local Assistance	1,180	0	0	1,180	0	0	1,180	2,360
Total Costs	\$249,163	\$74,009	\$5,752	\$328,924	\$76,490	\$11,136	\$336,789	\$665,713
General Fund	249,163	74,009	5,752	328,924	76,490	11,136	336,789	665,713
Total Funds	\$249,163	\$74,009	\$5,752	\$328,924	\$76,490	\$11,136	\$336,789	\$665,713

Program Description

The State Tax Appeal Board provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage and copies, but excluding office equipment.

Program Narrative

Department of Administration State Tax Appeal Board Major Budget Highlights	
○	Present law adjustments and new proposals add \$167,387 of general fund for the two years of the biennium with a base of \$249,163, primarily through statewide present law adjustments

Funding

The State Tax Appeals Board is funded entirely with general fund.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					86,674					88,173
Vacancy Savings					(10,891)					(10,950)
Inflation/Deflation					554					565
Fixed Costs					(2,302)					(1,267)
Total Statewide Present Law Adjustments					\$74,035					\$76,521
DP 3701 - Per diem and indirect costs										
	0.00	(26)	0	0	(26)	0.00	(31)	0	0	(31)
Total Other Present Law Adjustments										
	0.00	(\$26)	\$0	\$0	(\$26)	0.00	(\$31)	\$0	\$0	(\$31)
Grand Total All Present Law Adjustments					\$74,009					\$76,490

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3701 - Per diem and indirect costs - The legislature approved a net reduction of \$57 general fund for the biennium to provide per diem of \$2,095 per year for board members and to reduce for indirect and administrative costs paid for services received from other proprietary funded centralized service functions of the agency by \$4,247 for the biennium.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 317 - Indirect Cost Allocation-HB2										
37	0.00	4,129	0	0	4,129	0.00	4,133	0	0	4,133
DP 6800 - HB 13 - Pay Plan										
37	0.00	1,623	0	0	1,623	0.00	7,003	0	0	7,003
Total	0.00	\$5,752	\$0	\$0	\$5,752*	0.00	\$11,136	\$0	\$0	\$11,136*

New Proposals

DP 317 - Indirect Cost Allocation-HB2 - The legislature approved an increase of \$8,262 general fund for the biennium to provide indirect cost payments for a new indirect cost pool formed from portions of the Director's Office and the Management Support Bureau that provide centralized service functions for divisions of the department.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.